

Congressman Nick Smith's AGRICULTURE UPDATE

... From *Washington, D.C.*

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SPRING 2002

The Outlook for Agricultural Exports and Prices

There is great potential to expand agricultural exports over the next several years. 96% of the world's population lives outside our borders and their ability to purchase food will improve.

In the next 20 years, the world population will increase by 1.2 billion, mostly in developing and middle-income nations. Crafting trade agreements that allow U.S. farmers a greater stake in the international market is key. Our new Trade Ambassador seems serious about representing U.S. agriculture.

The USDA predicts that the world recession and the strong dollar will continue into next year to dampen growth of exports.

Still, the USDA expects that cash receipts from farming will rise this year, up from the 10-year average of \$190.5 billion.

Low carryover and low production prospects for corn could strengthen price now projected to be \$1.85-\$2.15/bu. this fall. Global oilseed production for 2001/02 is projected at a record 323.8 million tons, up 11.2 million tons above last year. Along with expected lower support prices in the new farm bill could mean lower income from soybeans.



Nick discussing farm issues

United States House of Representatives Michigan's 7th Congressional District

Farm Bill Progress

I believe the Farm Bill will move quickly through the conference committee and be enacted into law. If the conference committee resolves the differences between the House and Senate version by early April, the legislation will apply to this year's harvest.

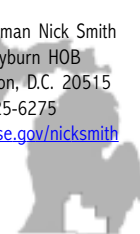
I am pleased to note that the payment limitation amendment I offered in the House was accepted in the Senate and I will continue to be a strong advocate for this provision in the coming weeks of debate.

This will be the most comprehensive farm bill ever enacted. There will be significant increases for food and nutrition, environment, and rural development, in addition to farmer program provisions.

The USDA is forecasting that cash receipts from farming will rise to \$204.3 billion this year, up from \$201.9 billion last year and up from the 10-year average of \$190.5 billion.

Congressman Nick Smith's AGRICULTURE UPDATE ... continued

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2002 Dairy Trends

The outlook for dairy farmers as we go into 2002 is cautiously optimistic. Milk production was up slightly in the last two months and the price of cheese and butter are showing unexpected signs of strength.

Cow numbers continue to decline, down 78,000 nationally last year but holding steady in Michigan. Currently we have about 300,000 dairy cows and slightly over 3,200 dairy farms. With Michigan cow numbers holding steady and with a 7% annual decrease in number of dairy farms, our state still increased total milk production 2.1% last year.

Although the rate of increase in national milk production has slowed significantly, I am concerned with the increase in government stocks of non-fat dry milk. Stocks have increased from 100 million pounds in 1999 to 800 million currently, with practically no butter going to storage.

The Senate version of the new Farm Bill contains a counter-cyclical payment program that will make direct payments to individual dairy producers on up to 8 million pounds of their annual milk production and I expect the \$9.90 per cwt price support to be remain intact.

USDA is expected to make price adjustments to butter and powder in the near future, which may have a negative effect on farmgate milk prices.

On a more positive note, Congress will have a budget increase for food stamps and child nutrition programs, which will greatly increase use of all dairy products.

Did you know...?

790,000 agricultural jobs were created in 2000 and that with every dollar of direct export sale another \$1.39 is generated in supporting economic activity.

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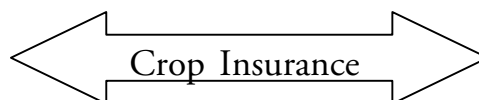
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Energy and Fuel

We now import over 57% of our petroleum needs in the United States. A significant portion of this comes from oppressive Middle East regimes with which we have very uncertain relations. Additionally, with worldwide energy demand expected to increase by 60% in the next two decades, it is becoming evident that the potential for higher cost fuel and energy intensive chemicals and fertilizers will be with us.

The challenges before us are clear. We need to take action to restore stability to our energy markets and decrease our dependence on foreign sources of oil. I am hopeful that new research and development investments such as my amendment to prioritize research on biofuels will lead us toward a solution to this problem.



If you are not at least considering crop insurance, you should. Government subsidizes approximately 70% of the cost of that insurance. At least price it out and make your best guess.

I told the Secretary of Agriculture that the Risk Management Agency in USDA should consider a broader range of tools that could be made more available to farmers to minimize risk. We should remind ourselves that in order to minimize risk and maximize profits, we must: 1. purchase inputs at lowest possible cost, 2. minimize the field operation cost, 3. sell at the highest possible price

In terms of estimating crop production, we now have the technology to forecast most crop production 40 days after planting, with an accuracy of $\pm 12\%$. That kind of advanced supply information (from Brazil, for example) to farmers in the northern United States could be very beneficial in deciding how much to plant.

USDA could be much more helpful to farmers in providing supply and demand information for seed, chemicals, fertilizer, fuel, as well as the commodities themselves. Some laws may have to be changed to make farmer hedging on these items more useful

A lot of tax-payer dollars are used for the USDA to develop that kind of information and it needs to be more user friendly.